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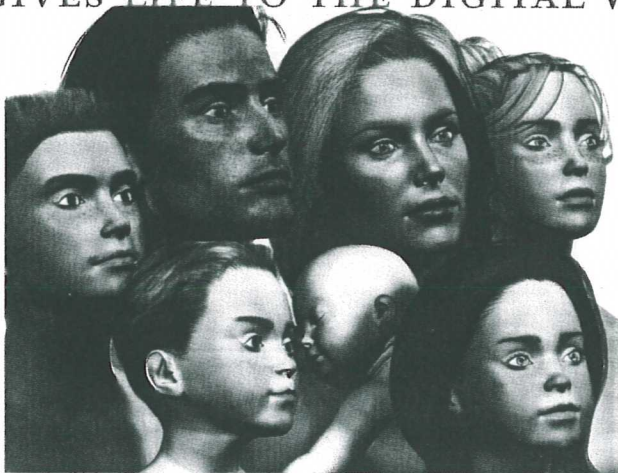
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DAZ PRODUCTIONS

GIVES LIFE TO THE DIGITAL WORLD



Fueled by hundreds of thousands of creative minds, 3-D models and proprietary software, a virtual world is coming to life. "I spend more money on Victoria's clothing than my own..." is a comment found on the Forum portion of the DAZ Productions Web site where 3D enthusiasts share their characters, images and ideas.

DAZ Productions, Inc. sells high-quality 3D models like Victoria for Poser, a 3D character animation and figure design tool developed and published by Curious Labs, Inc., and DAZ Studio, a free application produced by the company. By using the power of emerging 3D creative technologies, DAZ Productions pushes the limits of realism and versatility in the Virtual World.

In addition to people models, there are animals, props and environments as well as hair and clothing. For the hobbyist, sometimes known as a DAZaholic, buying and creating a virtual world has become the new rage as creations are posted and admired by an online, captured community. The site is designed to build a real community with viral conversion through forums, tutorials, galleries and a DAZ wish list. These rich assets of communication allow DAZ to zero in on product strategy. DAZ offers a publishing program where artists can sell their creations on the DAZ Web site, some of which have found their way into design careers through the exposure.

The main franchise characters are Victoria, Michael, Stephanie, the Millennium Girls and the Millennium Boys. The advanced nature of the engineering behind these characters includes hundreds of morph targets to change face shape and expressions as well as tweaking physique, age, weight, ethnicity and even add animal features. With one Stephanie, an artist can create many unique characters. The software is easy to use with dials to regulate intensity of any feature. Imagine being able to creatively manipulate 169 head morphs, 45 full body morphs and 71 partial body morphs with the advantage of strategic mesh resolutions that allows for extra versatility,

such as independent muscle morphs. There are an infinite number of variations. A model can be sold 100,000 times and each one can be unique.

For the commercial user, the availability and ease of use is unprecedented. The price of a character is the same whether a 12-year-old buys a model and makes a whole city of people out of it or if George Lucas buys one and includes it in a bar scene for his next major motion picture. "Usage rights regulation has a huge overhead," says Dan Farr, president, executive producer of DAZ Productions, Inc. The company broke the barrier of the complicated usage pricing that brings with it a hostile regulatory force. "We set the price and sell as much as we can," says Dan. "We wanted to make it easy. This way saves on headaches on both sides." This philosophy of a painless business relationship applies to the basic software, which the company gives away.

The overriding attitude is to make it affordable and accessible to millions of people. There are currently almost a quarter million people that visit the company's Web sites every month and almost 100,000 customers who have purchased models. In addition to the hobbyists who use the content for their Web sites, personal galleries and screen savers, companies use it for signage, print graphics, video presentations and television spots. Commercially, companies who have found DAZ useful include: *National Geographic* magazine, Discovery Channel, History Channel, eDiets, *MEN's HEALTH* magazine, *Scientific American*, *Wall Street Journal* and Screen Animation for the film "The Matrix."

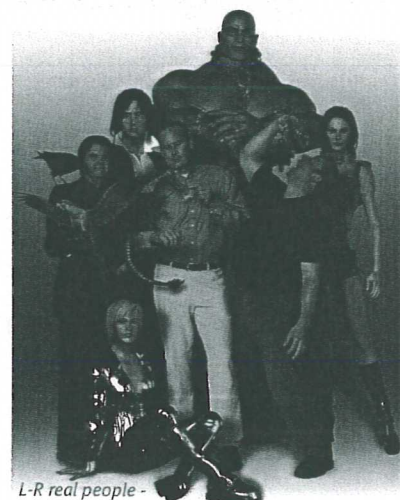
Not too shabby for a company that launched in December of 2000. **Chris Creek** and Dan Farr founded DAZ Productions, formerly known as the Poser development division of Zygote Media Group Inc. Zygote created itself from the 3D division of Viewpoint Animation Labs following its closing. Zygote is located in Utah County and offers custom modeling and animation services.

DAZ is located in Draper, in a beautiful building

perched atop a view-filled ridge. The setting is not what you would think for a cutting-edge technology company. The entrance reminds me of a cross between an unaffordable attorney's office and an equally unaffordable spa/resort. It's well decorated with stone floors, a fountain, classical art, plush seating nooks and fresh flower arrangements. This is the home for more than 20 people who perfect software applications, implement suggestions and promote the products as well as the work of brokered artists.

The company's mission is to expand Michael and Victoria's digital world. These are the company's flagship products, kind of a Ken and Barbie for artists and animators with all the clothing, hair, cars and thousands of other add-on products.

By the end of 2003, DAZ was in the testing



L-R real people -
Bryan Brandenburg, Dan Farr and Chris Creek

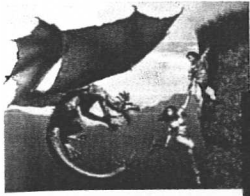
phase of releasing its proprietary free software known as DAZStudio, a 3D character rendering application designed to work with many different applications including Poser, Adobe PhotoShop, Flash and Microsoft Office.

Taylor Wilson, DAZ CTO and lead programmer on the Studio project, has a strong background in 3D, having programmed several high-end animation tools for his previous employer, House of Moves Motion Capture Studios.

DAZStudio is being distributed as a free beta and utilizes the range of suggestions from its beta version users. The company's goal is to have more than a million people download the free version of DAZStudio before the end of 2004.

Also, in 2002 DAZ signed a deal with LIPSinc, transferring ownership of the product Mimic to DAZ Productions, who now offers this top-selling lip-syncing software at a lower price and additional features.

People download models and software by visiting the Web site, daz3d.com, and eventually join the Platinum Club which offers store wide discounts, \$1.99 products and a members-only area. Also available on the Web site is the Arcana section which allows users to access tutorials for DAZStudio, Poser, Mimic and other DAZ products.



Images by DAZ artists
 Top: Cliff Hanger; Michael Loh
 Middle: Olivier Vinet
 Digital art at the Orsay Museum;
 Bottom: Forêt



Most of the efforts of staff are targeted to customer service. According to Bryan Brandenburg, Chief Profit Officer, the reason the business model works so well is that it is purely Internet driven and the company owns the complete supply chain, from product manufacturing to customer delivery and support. The business has been profitable



Top: Allen Renfeldt, Melissa Vanderlaan, Jason Jones, Taylor Wilson, Dan Farr, Chris Creek, Josh Darling, Tony Bradt, Chad Smith, Rob Whisenant
 Middle: Daniel Vest, Ryan Bouche, Cindy West, Bryan Brandenburg, Steve Kondris, Davey Walbeck, Eric Allen
 Front: Amy Tam, Jarom Schow, Jeff Cemer, Greg White, Kristen Barnes

since day one. Profit is rendered from downloads, there is no shipping. The company brokers thousands of models for brokered artists, creating a stream of revenue from the talents of hundreds of artists. The commission is then paid 30 days after the product is sold. The business model is highly scalable with the cost of goods sold being primarily tied to bandwidth and electronic storage making profit exponential.

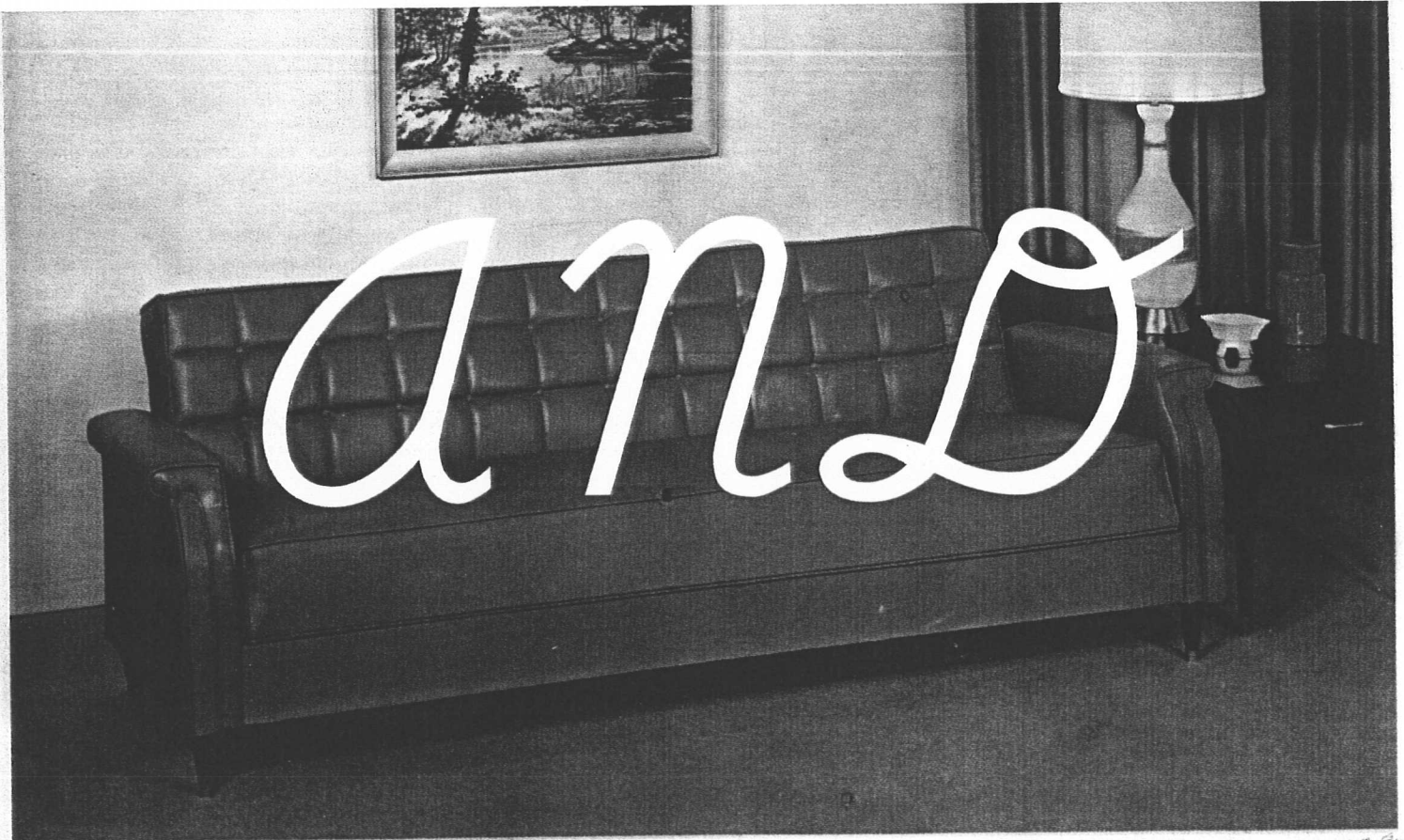
Plans for the future include a video production studio to produce content that is a hybrid between

CG and video. DAZ has already produced a 1/2-hour pilot program called Animation Quest which features Victoria and a live host. It is a joint venture work in progress and is headed up by Chad Smith, the company's animation director, to explore this new version of content which is perched on the brink of meshing CG and reality.

Unfold the mysteries of creation and stretch the bounds of curiosity through the wonders of DAZ.

Stay tuned.

Eric Allen: BA VA 2002



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